

TRS MEMBER HANDBOOK



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TRS PLAN 2: SUMMARY OF BENEFITS

Membership Definition

You are a Plan 2 member if you established membership in TRS:

- on or after October 1, 1977, and before July 1, 1996, and did not transfer to Plan 3; or
- on or after July 1, 2007, and chose to be in Plan 2 (see page 3 for complete details).

Contribution Rates

TRS Plan 2 contribution rates are set by the Pension Funding Council. These rates may be changed as necessary to reflect the cost of the plan.

Contributions

Both you and your employer pay contributions that fund your retirement. Your contributions are refundable only if you leave TRS-covered employment. If you withdraw your contributions prior to retirement, you lose your right to future benefits. You cannot borrow from your contributions or withdraw contributions made by your employer.

How Service Credit is Accumulated

You earn 12 service credit months for each school year (September 1 through August 31) in which you work in the month of September, work at least nine months and work at least 810 hours in that year. It is possible to earn service credit in smaller increments (see “What is service credit?” on page 5).

Eligible for Retirement

TRS Plan 2 provides for a retirement benefit when you are age 65 or older, if you have at least 5 service credit years. An early retirement benefit may be available at age 55 with at least 20 years of service credit (see pages 9-11).

Average Final Compensation (AFC)

Your AFC is the monthly average of your 60 consecutive highest-paid service credit months. Payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation, annual leave or personal leave are not included.

Benefit Formula

$2\% \times \text{Service Credit Years} \times \text{AFC} = \text{Monthly Benefit}$ (see page 11).

Cost-of-Living Adjustment (COLA)

On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index, to a maximum of three percent per year (see “Can my benefit increase after I retire?” on page 14).

Disability Retirement

If you become totally incapacitated for continued employment with a covered employer, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit (see “What if I become disabled before I retire?” on page 15).

Death in Service Survivor Benefit

If you have less than 10 years of service and are not eligible to retire, your contributions plus interest will be paid to your beneficiary(ies). If you have at least 10 years of service or are eligible to retire, your spouse or guardian of your minor children can choose between a monthly benefit or a lump sum payment of member contributions plus interest (see “What benefits do my survivors receive?” on page 15).

PLAN 2

This handbook describes your retirement benefits under Plan 2 of the Washington State Teachers' Retirement System (TRS). The plan is designed to be an important source of retirement income — along with Social Security benefits (if eligible), personal savings and other investments.

Plan 2 membership definition

All public school teachers are covered by TRS Plan 2 if they are hired into an eligible position:

- on or after October 1, 1977, and before July 1, 1996, unless they opt to transfer to TRS Plan 3; or
- on or after July 1, 2007, and they choose to be in Plan 2 (see "Plan choice").

An eligible position normally requires five or more months of 70 or more hours of compensated employment from September through August.

Teacher means any person who is qualified to teach and is employed by a public school as an instructor, administrator or supervisor. This includes:

- State, educational service districts, and school district superintendents and their assistants;
- School district and educational service district employees who are certificated by the Washington Superintendent of Public Instruction; and
- Any full-time school doctor who is employed by a public school and who renders instructional or educational services.

If you are a substitute teacher you should request the publication, *TRS Plan 2 and 3 Substitute's Guide* to determine your eligibility. This is available from your employer or on the DRS Web site at www.drs.wa.gov.

Plan choice

Effective July 1, 2007, newly hired members will have 90 days to choose between TRS Plan 2 and TRS Plan 3. If you do not select a plan within 90 days, your default choice becomes Plan 3.

This plan choice provision is based on the repeal of gain sharing. If the repeal of gain sharing is found to be invalid, a member hired after the court action will not have a plan choice and would be mandated into Plan 3.

Membership exclusions

If you are already receiving retirement or disability benefits from a public employer in Washington, you may be prohibited from joining this plan. If this applies to you, contact DRS (see page 17).

Information is also available in the brochures, *Thinking About Working After Retirement?* and *TRS Plan 2 and 3 Disability Benefits* which may be obtained from your employer or from the DRS Web site.

Inform your employer of previous TRS membership

It is important that you tell your employer if you have any prior TRS membership, even if you withdrew your contributions.

Name or address change

If you have made a change to your name or address, and you are an:

Summary Description

The rules governing your benefits are contained in state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the current law will govern.

Active member:

- Download the *Name/Address Change* form on the DRS Web site. Submit the completed form to your employer.

Inactive member:

- Download the *Name/Address Change* form on the DRS Web site or contact DRS for a copy of the form. Submit the completed form to DRS.

Designating a beneficiary

To designate a beneficiary, or to change a beneficiary designation, submit a completed *Beneficiary Designation* form to DRS. The form is available from your employer or from the DRS Web site.

Can I transfer to Plan 3?

Each January there is an open window of opportunity for eligible TRS Plan 2 members to transfer to Plan 3. If you choose to do so, your contributions and interest will be transferred to your Plan 3 defined contribution account.

To be eligible to transfer to Plan 3, you must:

- Be employed in a TRS eligible position;
- Earn service credit during the January that you elect to transfer;
- Complete a *Plan 3 Member Information Form*; and
- Submit the *Member Information Form* to your employer on or before January 31 of the January that you elect to transfer.

If you became a TRS member on or after July 1, 2007 and chose TRS Plan 2, you are not eligible to transfer to TRS Plan 3.*

*Plan choice is available because the 2007 Legislature repealed gain sharing. If a court of law should decide that the repeal is invalid, any new TRS members hired after that action would not have a choice between Plan 2 and Plan 3 and would be mandated into Plan 3.

For more information about Plan 3, obtain a *TRS Plan 3 Member Handbook* and review the differences between the two plans. All publications and forms mentioned above are available on the DRS Web site at www.drs.wa.gov.

When should I start planning for retirement?

Planning for retirement is an ongoing process. The sooner you start, the more likely you are to enjoy a comfortable and successful retirement. Here are some simple things you can do to help prepare for retirement:

- If you are within five years of retirement, attend one of the DRS Retirement Planning seminars. These sessions feature speakers on a number of retirement subjects and are free of charge. The dates and locations for these seminars are available on the DRS Web site.
- Calculate your future retirement benefit using the *Online Account Access* on the DRS Web site at www.drs.wa.gov. You can run a variety of retirement scenarios to see what works best for you.
- Because there are statutory time limits on restoring contributions withdrawn from your state pension, obtain a copy of the DRS brochure *Plan 2 Recovery of Withdrawn or Optional Service Credit* or view the publication on the DRS Web site at www.drs.wa.gov and review the rules that apply to your situation.

Who pays for my benefits?

Defined benefit plan

Your future benefits are funded by contributions made by you and your employer during your period of membership and the investment earnings from those contributions. These contributions are held in trust and invested by the Washington State Investment Board (WSIB).

Your plan is a defined benefit plan structured under Section 401(a) of the Internal Revenue Code. This means that you will receive a benefit based on your service credit and Final Average Compensation at retirement. The amount of your contributions will not be a factor in the calculation of your retirement benefit.

Your contributions

You are required to contribute a percentage of your earnable compensation to TRS. The contribution rate is set by the Pension Funding Council and may change as necessary to reflect the cost of the plan. Earnable compensation means salaries or wages earned during a payroll period for personal services, including overtime and tax-deferred wages, if any. Not included in earnable compensation are lump-sum payments for unused sick leave, unused vacation leave, or any form of severance pay.

If you are regularly employed in an eligible position, your contribution is deducted from your paycheck each pay period and is forwarded to TRS.

Substitute teachers have the option to join TRS and pay contributions at the end of each school year. For more information, see the publication, *TRS Plan 2 and 3 Substitute's Guide*, which is available through your employer or from DRS.

What is service credit?

Service credit is based on the total compensated time spent in an eligible position and reported by your employer on your behalf.

You earn 12 service credit months for each school year (September 1 through August 31) in which you:

- Begin working in September; and
- Receive earnable compensation in at least nine months; and
- Receive earnable compensation for 810 or more hours.

You earn six service credit months for each school year in which you:

- Begin working in September; and
- Receive earnable compensation in at least nine months; and
- Receive earnable compensation for at least 630 hours but fewer than 810 hours.

Beginning with the 2008/2009 school year, you earn six service credit months for each school year in which you:

- Receive earnable compensation in at least five months within a six-month period; and
- Receive earnable compensation for at least 630 hours.

If you do not meet the requirements above, your service credit will be determined as follows:

- You earn one service credit month for any calendar month in which you receive earnable compensation for at least 90 hours. The 90 hours may be earned with one or more employers.
- Beginning September 1, 1991, you receive one half of a service credit month for any calendar month in which you receive compensation for fewer than 90 but at least 70 hours.
- You receive one quarter of a service credit month for fewer than 70 hours in a calendar month.

No more than one month's service credit may be earned for each calendar month worked, regardless of the number of employers for whom you work.

EXAMPLE:

Calculating service credit

Suppose you taught full time starting with the 1999-2000 school year and continuing through the end of the 2004-2005 term — six full years. Then you reduced your hours. During the 2005-2006 school year, your hours and service credit were as follows:

	Hours	Service Credit Months
September	140	1
October	140	1
November	0	0
December	0	0
January	70	0.5
February	120	1
March	100	1
April	110	1
May	120	1
June	40	0.25
July	0	0
August	0	0
Total	840	6.75

Although you worked more than 810 hours in the 2005-2006 term, you did not work nine months, so you would receive six and 3/4 service credit months for your work in September, October, January, February, March, April, May, and June. Total service credit for the period beginning with the 1999-2000 term and ending with the 2005-2006 term would be six years, six and 3/4 months.

Claiming credit for substitute teaching

If you work as a substitute teacher, your employer(s) reports to DRS the amount of service performed. To receive credit for your service, you must apply for it after August 31.

For information about this procedure, ask your employer for a copy of the publication *TRS Plan 2 and 3 Substitute's Guide*. This publication is also

available on the DRS Web site at www.drs.wa.gov. If your substitute teaching was before the 2004-2005 school year, contact your employer(s) to obtain your quarterly reports.

Military service

You may be eligible to receive up to five years of service credit for military service by paying member contributions for the time spent in the military. You must complete payment of these contributions prior to retirement or five years from the time you resume employment, whichever comes first. To qualify you must have:

- Left TRS-covered employment to enter the uniformed services; and
- Applied for re-employment within 90 days after an honorable discharge.

A member who becomes totally incapacitated for continued employment as a result of service in the uniformed services of the United States, or the surviving spouse or eligible children of a member who dies while serving in the uniformed services of the United States may apply for interruptive military service credit. The member or eligible spouse or children would pay only the employee contributions.

For more information, refer to the *Military Service Credit* publication for TRS Plan 2 members on the DRS Web site.

Unpaid leave of absence

You may purchase service credit for an unpaid leave of absence authorized by your employer. Service credit for a leave of absence is limited to a maximum of two years during your working career.

To obtain service credit for unpaid leave, you must return to work in a TRS-eligible position and pay both member and employer contributions, including interest for both, for the time on leave. Contributions are based on the average of your earnable compensation at the time you were granted the leave and at the time you resume your

employment. The compensation calculated for this period will not be used in your AFC.

You must contact DRS for recovery of service credit for authorized leave. Payment must be completed prior to retirement or within five years of returning to employment, whichever comes first.

Purchase of temporary duty disability service credit

Effective July 22, 2007, TRS Plan 2 members who are injured in the course of employment may purchase up to 24 consecutive months of service credit for each period of Temporary Duty Disability (TDD). The period of separation from employment must be caused by an injury that occurred on or after the effective date (July 22, 2007).

To be eligible, you must become disabled in the line of duty and receive benefits under Title 51 Revised Code of Washington or a similar federal workers' compensation program. You may not receive more than one month's service credit in a calendar month.

You do not need to be an active member to purchase the TDD service credit. You and your employer must make employer and member contributions on the compensation you would have earned had you been working. If contribution payments are made retroactively, interest will be charged at the rate set by the DRS Director for both employee and employer contributions. Service credit will not be granted until payment is made in full.

Election or appointment to office

A member who is elected or appointed to a state elective position may continue to be a member and receive service credit for the time spent in an elective position by making the required contributions. Contact DRS to continue membership.

Can I recover past service credit?

You may re-establish service credit for earlier periods of TRS-covered employment, even though you may have withdrawn your contributions and terminated your membership for that period.

Restoring TRS service credit

To restore withdrawn service credit in this plan, you repay the total amount withdrawn, plus interest, by the statutory deadline. The statutory deadline is within five years of the date you return to service, or before you retire, whichever comes first.

You may complete repayment even if you leave public employment again, but you must meet the original deadline. You can learn more about restoring service credit by obtaining the DRS publication *Plan 2 Recovery of Withdrawn or Optional Service Credit* from your employer or DRS. This publication is available on the DRS Web site at www.drs.wa.gov.

Purchasing service credit after the statutory deadline

It is still possible to purchase withdrawn or optional service credit after the statutory deadline has passed. The cost for purchasing service credit after the deadline date is considerably more expensive. You can learn more about the purchase of service credit by obtaining the DRS brochure *Plan 2 Recovery of Withdrawn or Optional Service Credit*. This publication is available on the DRS Web site.

Purchasing other creditable service

To establish service credit for military service that interrupts TRS service or for an unpaid, approved leave of absence, you must submit documentation verifying military service or leave approval and complete payment of the required amount within five years of resumption of TRS service, or before retirement, whichever comes first. For more information, contact DRS.

What if I leave my TRS position?

Leaving your current TRS-eligible position before you retire may have an impact on your benefits. The nature of the impact depends on whether you are vested in TRS, where you are next employed, and whether you withdraw your contributions from TRS.

Withdrawing your contributions

If you leave TRS-covered employment, you may withdraw the contributions you made to TRS. Withdrawal of contributions cancels all rights and benefits you may have accrued in TRS.

Withdrawal forms are included in the DRS publication *Withdrawal of Retirement Contributions*, which is available through your employer or DRS. You can also download this publication and appropriate forms from the DRS Web site. Processing a withdrawal normally requires 60 to 90 days.

If you resume employment with a TRS-covered employer before payment is made, you are not eligible to receive a withdrawal. If you receive a refund under these circumstances, you must return it to DRS immediately.

Tax implications of withdrawing your contributions

Under federal law, any lump-sum withdrawal of tax-deferred retirement funds is subject to a withholding tax of 20 percent. The 20 percent withholding requirement can be avoided only by a direct rollover of funds to a qualified tax-deferred retirement account. You can find more about this requirement by reading *Withdrawal of Retirement Contributions*.

Federal tax law may require that you pay a 10-percent penalty at the time you file your income tax. This penalty is in addition to regular income tax on the tax-deferred and interest portions of contributions that you withdraw before you reach age 59½. You may be able to avoid this tax penalty

by rolling these funds into a qualified tax-deferred retirement account.

DRS is required to report all withdrawals to the IRS. It is your responsibility to account for the withdrawal on your tax return. For more information on the tax consequences of withdrawing your contributions, contact the IRS or your tax adviser.

Leaving your contributions in the plan

You have the option of leaving your contributions in the plan until April 1 of the year following the year in which you turn age 70½ or retire, whichever is later. At present your contributions are earning 5.5 percent interest annually, compounded quarterly. If you leave your contributions in the plan and later return to a TRS-covered position, you retain service credit for the earlier service.

If you leave a TRS-covered position and leave your contributions in the plan, keep TRS informed of your current name, address and beneficiary.

Washington State public schools

If your next job is in an eligible position with another public school in Washington State, your membership will continue.

What if I've previously been a member of another retirement system?

Dual membership

If you have been a member of more than one Washington State public service retirement system, you may qualify as a dual member, even if your membership in another system has been terminated.

A dual member is one who:

- Is currently an active member of TRS, School Employees' Retirement System (SERS), Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2, Public

Safety Employees' Retirement System (PSERS), the Washington State Patrol Retirement System (WSPRS), or the city retirement system for Tacoma, Seattle or Spokane; and

- Has not retired from service with any public retirement system in the state of Washington; and
- Is not currently receiving a disability retirement or disability leave benefits from any public retirement system in the state of Washington.

Service credit for dual members

You can combine your TRS service credit with credit earned in other Washington State retirement systems in order to qualify for retirement. For more information, see “What if I’ve previously been a member of another retirement system” on page 8.

EXAMPLE

Combined service credit

Suppose you are an active TRS Plan 2 member, age 57 and have seven TRS Plan 2 service credit years. If you also have 13 service credit years in PERS Plan 2, you have a total of 20 service credit years — enough to be eligible to retire with a reduced benefit.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than TRS, you must repay the amount withdrawn, plus interest from the date of the withdrawal until paid in full, within two years of first becoming a dual member or before you retire, whichever comes first.

To receive a billing for restoration of service credit, contact DRS.

What if I miss the deadline?

If you miss the deadline for restoration of dual member service credit, you may still purchase service credit. The cost for purchase is based on the potential increase in your benefit payments. For more information, see the *Plan 2 Recovery of Withdrawn or Optional Service Credit* brochure.

When can I retire?

You are eligible for:

- Normal retirement at age 65 if you have at least five service credit years, or
- Early retirement at age 55 with a reduced benefit if you have at least 20 service credit years (see “How does retirement before age 65 affect my benefit?” below).

If you choose a survivor option at retirement, your benefit will also be reduced (see “What are my benefit options?” on page 13).

Using sick leave to qualify for retirement

You may use up to 45 days of unused sick leave to help you qualify for retirement. Sick leave not cashed out by your employer may be converted to a maximum of two months of service credit. This service credit is not used in the calculation of your benefit. It can only be used to qualify for retirement.

How does retirement before age 65 affect my benefit?

Retirement before age 65 is an early retirement. Your benefit depends on how much service credit you earned, the date you retire, your age and the early retirement factor used.

If you have at least 20 service credit years:

- You can retire at or after age 55 with a reduced benefit. Your benefit is reduced to reflect the fact that you will receive it over a longer period of time. The amount of the reduction is greater than if you retire with at least 30 service credit years (see the table on page 10).

If you have at least 30 service credit years and you retire before September 1, 2008:

- You can retire at or after age 55 with a reduced benefit. Your benefit is reduced by three percent for each year of retirement before age 65 (see the table on page 10).

If you have at least 30 service credit years and you retire on or after September 1, 2008, you can choose either:

- The three percent Early Retirement Factor (ERF) shown in the table below; OR
- The 2008 ERF which provides a smaller benefit reduction but imposes stricter return to work rules.

Note: See the DRS publications, *Thinking About Working After Retirement?* and *Thinking About Retiring Early?*

Early Retirement Factors			
Retirement age	At least 20 years service	30 years or more service	
		3% ERF	2008 ERF*
55	0.37	0.70	0.80
56	0.40	0.73	0.83
57	0.43	0.76	0.86
58	0.49	0.79	0.89
59	0.55	0.82	0.92
60	0.61	0.85	0.95
61	0.67	0.88	0.98
62	0.73	0.91	1.00
63	0.82	0.94	1.00
64	0.91	0.97	1.00

*These factors were available beginning 9/1/2008 and were established by legislation which ended gain sharing. If a court of law decides the repeal of gain sharing is invalid, the factors and return to work rules in place before passage of the law will apply.

EXAMPLES

Examples are based on the benefit formula:
 $2\% \times \text{Service Credit Years} \times \text{Average Final Compensation} \times \text{ERF} = \text{Monthly Benefit}$

Retirement on March 1, 2008 at age 55 with 22 years of service credit

You retired on March 1, 2008 at age 55 with 22 years of service credit. Your Average Final Compensation is \$3,600. You retired early so your benefit is 37% of what it would be at age 65. Your monthly benefit is calculated as follows:

Monthly Benefit

$$\begin{aligned}
 &= 2\% \times 22 \text{ years} \times \$3,600 \times 37\% \\
 &= .02 \times 22 \times \$3,600 \times .37 \\
 &= \$586
 \end{aligned}$$

Retirement on March 1, 2008 at age 60 with 30 years of service credit

You retired on March 1, 2008 at age 60 with 30 years of service credit. Your Average Final Compensation is \$4,000. You retired early so your benefit is 85% of what it would be at age 65. Your monthly benefit is calculated as follows:

Monthly Benefit

$$\begin{aligned}
 &= 2\% \times 30 \text{ years} \times \$4,000 \times 85\% \\
 &= .02 \times 30 \times \$4,000 \times .85 \\
 &= \$2,040
 \end{aligned}$$

Retirement on October 1, 2008 at age 62 with 30 years of service credit

You retire on October 1, 2008 at age 62 with 30 years of service credit. Your Average Final Compensation is \$4,400. If you choose the three percent ERF, your monthly benefit is calculated as follows:

Monthly Benefit

$$\begin{aligned}
 &= 2\% \times 30 \text{ years} \times \$4,400 \times 91\% \\
 &= .02 \times 30 \times \$4,400 \times .91 \\
 &= \$2,402
 \end{aligned}$$

EXAMPLES CONTINUED

If you choose to retire under the 2008 ERF, your benefit is unreduced but you have stricter return to work rules (read the brochure *Thinking About Working After Retirement?* available on the DRS Web site). Your monthly benefit is calculated as follows:

Monthly Benefit

$$\begin{aligned} &= 2\% \times 30 \text{ years} \times \$4,400 \times 100\% \\ &= .02 \times 30 \times \$4,400 \times 1.00 \\ &= \$2,640 \end{aligned}$$

How do I retire?

Vesting

You have a vested right to a retirement benefit after you earn five or more service credit years even if your covered employment ends. However, if you withdraw your contributions you terminate your membership and give up your right to retirement benefits.

As you get closer to retirement

Consider the following:

- If you are within a year of your retirement date, request an estimate of your benefit from DRS. DRS will send a retirement application with your estimate.
- Contact the Social Security office periodically to review your file's accuracy. The toll-free telephone number for Social Security information is 1-800-772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Web site at www.socialsecurity.gov.
- Obtain a copy of Internal Revenue Service (IRS) Publication 575, *Pension and Annuity Income*, also available on the Web at www.irs.gov.

Applying for retirement

You can complete the entire retirement process through the mail. If you prefer to visit DRS to

review your account information and retirement options, Retirement Services Analysts are available to assist you. Please call for an appointment.

How is my benefit calculated?

Benefit formula

Your monthly service retirement benefit is calculated using the following formula:

$$2\% \times \text{Service Credit Years} \times \text{AFC}$$

AFC is the monthly average of your 60 consecutive highest-paid service credit months.

Not included are payments for any type of severance pay, such as lump-sum payments for unused sick leave or vacation/annual leave. There is no limit on the number of service credit years included in the benefit calculation.

EXAMPLE

Benefit calculation

Suppose you retire at age 65 with 32 service credit years and an Average Final Compensation of \$2,000. Your monthly retirement benefit will be \$1,280. It is calculated as follows:

$$\begin{aligned} 2\% \times 32 \text{ years} \times \$2,000 &= \$1,280 \\ 2\% \times 32 \text{ years} &= .64 \\ .64 \times \$2,000 &= \$1,280 \end{aligned}$$

Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits they have earned separately from each system. Dual members with a total of five or more service credit years from all eligible systems are entitled to a benefit from each system, even if they have less than five service credit years in any of the systems.

In most cases, dual members will receive a benefit based on the highest base salary from any system, whichever produces the better benefit. Base salary is the salary or wages earned, excluding overtime, lump-sum cashouts, severance pay and bonuses. Effective July 22, 2007, base salary can

include overtime and other cash payments, if these payments can be used in all of the dual member systems you are retiring from (excluding the Washington State Patrol Retirement System). For details, refer to the DRS publication, *What is Dual Membership and How Does It Affect Me?*

EXAMPLE

Dual member benefits

Suppose you are 58 years old and have 17 service credit years from TRS Plan 2 and three service credit years with PERS Plan 2 and you want to begin receiving your TRS benefit. Without dual membership, your PERS service would be too short to earn you a PERS benefit. With dual membership, you will receive a benefit from each plan, calculated according to the rules of each system as follows:

TRS Plan 2:

$2\% \times 17 \text{ years TRS Service Credit} \times$
 $\text{Average Final Compensation} \times \text{Early Retirement Factor} = \text{TRS Benefit}$

PERS Plan 2:

$2\% \times 3 \text{ years PERS Service Credit} \times \text{Average}$
 $\text{Final Compensation} \times \text{Early Retirement Factor}$
 $= \text{PERS Benefit}$

You can begin drawing an actuarially reduced PERS benefit or defer receipt of the PERS benefit until age 65 when you would be eligible for a full benefit.

Using out-of-state service to meet early retirement requirements

Vested TRS members may use service credit earned in another state's public school teachers' retirement system to qualify for an earlier retirement. However, it's important to remember that out-of-state service is not used in the calculation of your TRS benefit.

If you use out-of-state service to retire earlier than you could on your Washington State service alone, your benefit will be reduced. The reduction is based

on the difference between the age you retire using the out-of-state service credit and the age you could retire using Washington State service credit alone.

For more information, contact DRS for a copy of the publication *Using Service Credit Earned Outside the Washington State Teachers' Retirement System*.

EXAMPLE

Using out-of-state service

Suppose you are 57 years of age, with 17 years of Washington State service credit and a monthly Average Final Compensation (AFC)* of \$5,000. In order to meet the 20-year service credit retirement requirement, you would like to use three years of out-of-state service credit.

Your benefit would be computed based on your number of years of Washington State service credit, and would be reduced by an early retirement factor. This Early Retirement Factor is based on the number of years between your age at retirement and age 65. Your benefit would be calculated with an Early Retirement Factor of .43.

$2\% \times 17 \text{ years} \times \$5,000 \text{ (AFC)} \times .43 = \731

Purchasing out-of-state service

A TRS Plan 2 active member can purchase up to seven years of public education service earned as a teacher* outside of TRS. The purchased service credit will be added to the member's total service credit and used to qualify for regular or early retirement.

To qualify as public education experience, the service must:

- Have been earned as a teacher* in a public school in another U.S. state, or with the U.S. federal government; and
- Be creditable under a retirement or pension plan.

* As defined by your former retirement system.

To qualify to purchase, a member must:

- Be an active member of TRS Plan 2;
- Have earned at least two years of TRS service credit;
- Not be receiving a benefit from the former system; and
- Not be eligible for an unreduced benefit from the former system.

For more information about purchasing out-of-state service earned outside TRS, see the brochure *Using Service Credit Earned Outside the Washington State Teachers' Retirement System* on the DRS Web site at www.drs.wa.gov or contact DRS.

What is the purchase of additional service credit option?

When you retire, you may purchase additional service credit to increase your monthly benefit. You may purchase from one to 60 months in whole month increments. The purchased credit may not be used to qualify for retirement, early retirement or to qualify for an early retirement factor instead of the actuarial reduction factor. You must submit the *Request to Purchase Additional Retirement Service Credit* form to DRS at the same time you submit your retirement application.

The amount your benefit would increase is determined by the number of months you purchase, your Average Final Compensation (AFC) and an Early Retirement Factor (ERF) if you retire early. The formula used is:

$$\text{Months of Service Purchased} \div 12 \times 2\% \times \text{AFC} \times \text{ERF (if any)} = \text{Monthly Increase}$$

The cost to purchase additional service credit is determined by the annuity factor for your age at retirement and the monthly increase amount. The formula used is:

$$\text{Monthly Increase} \div \text{Annuity Factor} = \text{Cost to Purchase}$$

For more information, review the DRS publication *Purchasing Additional Service Credit* available on the DRS Web site. You may also estimate the monthly increase and cost by using *Online Account Access* on the DRS Web site. Once you are in your account, select the *Purchasing Service* link.

What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. Consent must be in writing and must be notarized. **If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary.** Retirement applications contain the spousal consent authorization.

Option 1 Single life

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions plus interest at the date of retirement, the balance will be paid in a lump sum to your named beneficiary.

Option 2 Joint and 100 percent survivor

This option provides you with a reduced benefit. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

Option 3 Joint and 50 percent survivor

This option provides you with a reduced benefit. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4 Joint and 66.67 percent survivor

This option provides you with a reduced benefit. If your designated beneficiary survives you, 66.67

percent of your benefit is paid to your beneficiary for his or her lifetime.

Changing a benefit option after retirement

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3 or 4), and your designated beneficiary dies, your retirement benefit will be adjusted to the higher Option 1 payment level. Be sure to notify DRS to initiate a benefit adjustment.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement. This option can be used only once and is irrevocable.
- If you retire under Option 1, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. You must request this change between the first and second year of your marriage. If you change to a survivor option, your benefit will be reduced. This option can be used only once and is irrevocable.

Lump sum instead of a monthly benefit

If your monthly benefit is less than \$50, you may choose to take a lump sum payment. To determine the lump sum, the projected value of your lifetime benefit will be compared to the total of your contributions plus interest. The greater amount will be paid to you. Anyone receiving such a payment is considered retired from TRS. Only members who retire early for disability or retire as dual members are likely to receive this type of payment.

Am I eligible for health insurance coverage after I leave employment?

To qualify for health care coverage when you separate from employment you must:

- Be eligible for a retirement benefit and elect Public Employees Benefits Board (PEBB) coverage within 60 days from the date of your retirement; or
- Be at least age 55 with 20 or more years of service credit and elect PEBB coverage within 60 days of your date of separation.

To find out if you are qualified for PEBB benefits, contact your employer. You can also contact the Health Care Authority (HCA) at 1-800-200-1004 or visit their Web site at www.hca.wa.gov.

Can my benefit increase after I retire?

On July 1 of every year following your first full year of retirement for service or disability, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index to a maximum of three percent per year.

If you retire in July, you will receive your first COLA adjustment the following July. If you retire in September, you will not receive a COLA adjustment until the second July following your retirement. Contact DRS for more information.

What if I work after retirement?

In some cases, depending on the position and the extent to which you work, and when you retired, your benefit may be affected if you return to work for a Washington State public employer after retirement. Under certain circumstances you may be required to become a member of another DRS-covered retirement system.

Return to work information will be included in your retirement packet. If you are uncertain how

your benefit will be affected, please call DRS. Information is also available on the DRS Web site at www.drs.wa.gov.

What if I become disabled before I retire?

Eligibility for disability retirement

If you become totally incapacitated for continued employment with a public school district, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. Benefits will not be paid until you have separated from service.

If you are receiving a disability retirement benefit, you will be subject to comprehensive medical examinations as required by TRS. If these examinations reveal that you have recovered from your disability, and you are offered employment by a school district or state agency at comparable pay, you will no longer be eligible to receive a disability retirement benefit.

Disability retirement benefit

The disability retirement benefit, including survivor options, is determined by the same formula as a service retirement benefit, described on page 11. This benefit is reduced to reflect your age at the time benefits begin.

Disability withdrawal of contributions

A disabled member who has terminated employment has the option of withdrawing his or her contributions, plus interest, and terminating membership in the plan. This would cancel all rights and eligibility for future benefit payments.

More information

For more information about your disability benefits, see the brochure *TRS Plan 2 and 3 Disability Benefits* available on the DRS Web site.

What benefits do my survivors receive?

If you die after retirement

If you die after you begin a service or disability retirement, your survivors are eligible to receive benefits based on the retirement option you chose.

If you die before retirement

If you die before retirement, your designated beneficiary, spouse or minor children are eligible for the following benefits. These benefits are also payable to survivors of members who leave TRS-covered employment but do not withdraw their contributions.

Fewer than 10 service credit years and ineligible to retire. If you die before you have 10 service credit years and before becoming eligible for retirement, your beneficiary receives all of your contributions, plus interest.

Ten or more service credit years or eligible to retire. If you die with 10 or more service credit years or after becoming eligible to retire, your surviving spouse, and if none, the guardian of your minor children, may choose between the following two benefits:

- Payment of your contributions, plus interest, or
- A monthly benefit calculated as if you had elected Option 2 (see page 13), reduced to reflect your age at the time of death (available only to a spouse or IRS-qualified dependents).

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit that was being paid to your surviving spouse. The benefit will be shared equally among the children and paid until they reach the age of majority (18).

If there is no surviving spouse at the time of your death, and you have minor children, their guardian will choose between the two benefit options.

If you have no surviving spouse or minor children, your remaining member contributions are paid in a lump sum to your designated beneficiary.

If you die as a result of an injury or occupational disease sustained in the course of employment

If an active member or retiree dies as a result of injuries sustained in the course of employment or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a \$150,000 death benefit to the member's beneficiary.

Designating a beneficiary

As an active member, you should keep the beneficiary designation in your TRS record up-to-date.

To change your beneficiary, you must submit a *Beneficiary Designation* form to DRS. Forms for this purpose are available from your employer and the DRS Web site at www.drs.wa.gov.

At retirement, if you choose an Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary.

If you choose a survivor benefit option at retirement, you must select one person as your beneficiary.

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit will be subject to federal income tax. Only the portion taxed before it was contributed is exempt. Since September 1, 1984, many employers have deducted member contributions before taxes. If you purchased optional service credit, those funds may not be tax deferred.

After you retire, DRS will let you know what portion of your contributions has already been taxed. The IRS refers to this taxed amount as your "cost" or "basis recovery."

You must complete a W-4P form to tell DRS how much of your monthly benefit should be withheld for taxes. If you do not, DRS will follow IRS rules that require withholding as if you are married and claiming three exemptions. It is your responsibility to declare the proper amount of taxable income on your income tax return.

Assignment and attachment of benefits

Retirement benefits generally are not subject to assignment or attachment. However, payments received by you in the form of retirement benefits or as a refund of your contributions, may be subject to payment of court and administrative orders for spousal maintenance and child support, or payment of any orders authorized by federal law.

DRS is authorized to divide pensions between members and ex-spouses based upon a court-ordered property division. If the divorce decree complies with the applicable law, DRS will send the property division payment directly to the ex-spouse. For more information, refer to the DRS brochures *Can Legal Action Affect My Retirement Account?* and *How can a Property Division Affect My Retirement Account?* available on the DRS Web site.

Why does DRS need my Social Security number?

DRS requires that you provide your Social Security number when you are conducting business with the agency. Internal Revenue Code Sections 6041 (A), and 6109 authorize DRS to solicit your Social Security number.

- DRS will use your Social Security number to track all data regarding your retirement account and to report required information to the IRS.

- DRS will not disclose your Social Security number to any party unless required to do so by law.

Administrative information

Your retirement benefit accrues from the first day of the month following the date you terminate employment. Your benefit is paid at the end of each month and, in most cases, can be deposited directly in your bank or credit union account.

Keep DRS informed of your mailing address

After you retire, it is important that you keep DRS informed of your current mailing address, even if you have your check deposited directly in your bank or credit union account. This way you can be assured of receiving information about your benefits and income taxes in a timely manner.

Administration of the system

The Teachers' Retirement System is administered by DRS. The Director of DRS is appointed by the Governor.

Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require repayment of the overpaid funds. If there is an underpayment, DRS will correct the error and pay you in full.

Petitions and appeals

Under DRS internal review procedures, all appeals begin as petitions. You may challenge a decision of a DRS administrator by filing a petition within 120 days of your receipt of the decision. A petition will be reviewed by the DRS Petitions Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements which support your request for relief;

- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel, if you choose to be represented; and
- Your name, address, Social Security number, and signature.

The Petitions Examiner will ask for information from the involved parties. Usually, this means you, DRS and possibly your employer. After review, the Petitions Examiner will enter a written decision and mail that decision to you by certified mail.

If you are not satisfied with the petition decision, you may file an appeal within 60 days of receipt of the decision. Included with your petition decision will be information describing how to file an appeal. An appeal will be heard by either DRS' Presiding Officer or an Administrative Law Judge.

Contacting DRS

When you contact DRS about personal account information, be sure to include:

- Your Social Security number
- Your signature (for written correspondence)
- Your daytime telephone number
- Your mailing address
- The plan you are requesting information about

Mailing address

Department of Retirement Systems
TRS
PO Box 48380
Olympia, WA 98504-8380

Telephone

Olympia (360) 664-7000
Toll-free..... 1-800-547-6657
TDD line..... (360) 586-5450
Toll-free TDD number..... 1-866-377-8895
Fax number (360) 753-3429

E-mail address

recep@drs.wa.gov

Important: Electronic mail messages sent over the Internet may not be confidential. It may be possible for other people to read your e-mail message. For security purposes, include only the last four digits of your Social Security number.

Web address

www.drs.wa.gov

The DRS Web site contains the most recent edition of this handbook and other member publications for TRS and other DRS-administered systems.

The site also includes:

- Online access to your account, allowing you to review information such as your account balance, employment history, beneficiary information and annual statements.
- Recent issues of the member newsletter, *Retirement Outlook*.
- Information about recent retirement-related legislation.
- A variety of other information of interest to retirement system members and public employers in Washington State.

Contact DRS for the following:

- To obtain more information about your rights and benefits under this plan.
- To apply for retirement.
- To schedule an appointment to review your account information and retirement options in person.
- To obtain copies of DRS publications mentioned in this handbook (publications are also available on our Web site).